

# FISCAL NOTE

## HB 2588 – SB 2785

February 23, 2006

**SUMMARY OF BILL:** Decreases the state rate of sales tax on food by one-half percent (0.5%) in each subsequent fiscal year, beginning in FY2006-2007, until the state rate of sales tax on food is zero (FY2017-2018).

### ESTIMATED FISCAL IMPACT:

**Increase State Expenditures - \$74,600 – One Time**  
**Decrease State Revenues:**

**Net Impact - \$34,197,000 – FY07**  
**Net Impact - \$69,762,000 – FY08**  
**Net Impact - \$106,736,000 – FY09**  
**Net Impact - \$145,161,000 – FY10**  
**Net Impact - \$185,080,000 – FY11**  
**Net Impact - \$226,538,000 – FY12**  
**Net Impact - \$269,580,000 – FY13**  
**Net Impact - \$314,254,000 – FY14**  
**Net Impact - \$360,606,000 – FY15**  
**Net Impact - \$408,687,000 – FY16**  
**Net Impact - \$458,547,000 – FY17**  
**Net Impact - \$510,237,000 – FY18 and thereafter**

**Decrease Local Govt. Revenues:**

**Net Impact - \$1,223,000 – FY07**  
**Net Impact - \$2,496,000 – FY08**  
**Net Impact - \$3,819,000 – FY09**  
**Net Impact - \$5,193,000 – FY10**  
**Net Impact - \$6,622,000 – FY11**  
**Net Impact - \$8,105,000 – FY12**  
**Net Impact - \$9,645,000 – FY13**  
**Net Impact - \$11,243,000 – FY14**  
**Net Impact - \$12,902,000 – FY15**  
**Net Impact - \$14,622,000 – FY16**  
**Net Impact - \$16,406,000 – FY17**  
**Net Impact - \$18,255,000 – FY18 and thereafter**

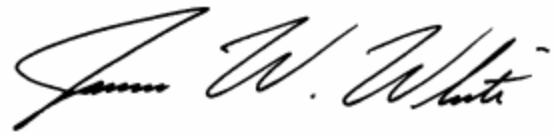
Assumptions:

- Taxable sales of food and food ingredients in Tennessee for 2004 were estimated at approximately \$7.0 billion.
- CPI on food increased by approximately 2.0% in 2005.

- Inflation rate on food remains constant at 2.0% per year through FY2017-2018.
- Current law appropriates 4.4194% of state sales tax revenue to the municipalities within Tennessee.
- 50% of consumer tax savings will be spent on other non-food sales taxable items in Tennessee at the current state rate of 7% and at a local option rate that averages 2.25%.
- The aggregate decrease in state revenue over the twelve (12) fiscal years is estimated to be approximately \$3,089,384,200.
- The aggregate decrease in local government revenue over the twelve (12) fiscal years is estimated to be approximately \$110,530,000.
- Software modifications required of the Department of Revenue is estimated as a one-time increase of state expenditures of \$74,600.

### **CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" and last name "White" clearly legible.

James W. White, Executive Director